

part

Capacity Development, LLC

79 Oakland Avenue
Pontiac, MI 48342

September 13, 2007

Ms. Mary Levine
Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Avenue
Lansing, MI 48909

RECEIVED
SEP 19 2007
MSHDA-Legal

Re: Draft Qualified Allocation Plan

Dear Ms. Levine:

As both a developer and a general contractor of affordable housing units in Michigan, Capacity Development, LLC and West Construction Services, we find the draft perplexing. It's difficult to understand why there are wholesale and strategic changes proposed to a QAP plan that is currently in need of "tactical" adjustments.

As a developer, Capacity Development was formed to co-develop projects with nonprofit CDCs. One of our major concerns with the draft QAP is it's divisive. It forces the non-profit CDC to compete with a for-profit CDC. We feel the plan is too one-sided, placing too much emphasis on the non-profit community who will certainly be dependent on others like Capacity Development to bring guarantees to the table. The syndicator will require these guarantees. Because of the apparent emphasis being placed on the non-profit developers in the draft, we don't feel the new QAP plan will be written in a way for a for-profit partner to receive an adequate share of the fees in proportion to our risk.

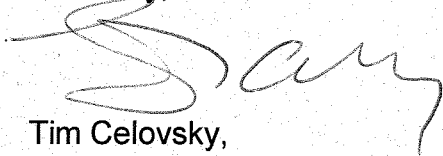
Additionally, we feel the removal of the Preservation set aside is short-sighted. Without knowing why it was removed, we can only assume MSHDA felt the next couple years should be focused on developing NEW units. Developing new units is far costlier than preserving the units now in the market. What will happen to the existing units approaching their "expiration" dates? What incentive does the current owner have to keep these affordable?

As a builder of affordable housing units in Michigan, including LIHTC units, West Construction is concerned about the inclusion of prevailing wage and health

insurance requirements. True, we only pass along the cost to the developer but it makes our contract administration a nightmare and creates strife with our trades and subs. Frankly, we truly don't understand why it's included in the plan. What value is it bringing? Using very rough numbers: In other prevailing wage projects, it has added 10% to the labor costs. If half of the hard costs are labor, on a typical \$3.0 million construction contract, the new cost of that same project, including prevailing wage increases, would be \$3.15 million. Exactly, how did that \$150,000 cost increase help the economy, housing units and/or occupant of these units? Exactly, how is that cost increase going to be covered by the developer?

We look forward to participating in the listening sessions and modifications of the current QAP but also to the necessary and suggested changes the developer community is asking of the current draft of the QAP.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Tim Celovsky', written over a light blue horizontal line.

Tim Celovsky,
Director

Capacity Development, LLC

West Construction Services